

Department of Legislative Services  
Maryland General Assembly  
2012 Session

FISCAL AND POLICY NOTE

House Bill 851 (Delegate Conaway)  
Environmental Matters

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Vehicle Laws - Registration Fees - Payment Plans

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This bill authorizes a person who applies to register or renew their vehicle registration to pay half of the required fee at the time of the application and pay the balance within 12 months after the registration application date. The Motor Vehicle Administration (MVA) must register or renew the registration on payment of half of the fee if the applicant agrees to, and arranges with MVA to, complete the payment within 12 months under a payment plan approved by MVA. MVA may revoke the registration of a vehicle if the registered owner fails to pay the balance in accordance with the payment plan. MVA must adopt regulations to implement the bill.

The bill terminates September 30, 2015.

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Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues decrease, likely by several million dollars, in FY 2013 and 2014 due to the payment of only half of the current vehicle registration fees. TTF revenues increase significantly in FY 2015 through 2017 from collection of deferred payments. The net TTF effect between FY 2013 and 2017 is dependent on the repayment rate, the amount of additional registration restoration fees collected following revocation, the effect of the bill on decreasing the incidence of driving without a valid registration, and the amount in forgone interest earnings for TTF. TTF expenditures increase significantly for significant external reprogramming costs and potentially for significant personnel and postage costs to the extent that participation in the payment plans is significant.

**Local Effect:** Local highway user revenues decrease, likely significantly in FY 2013 and 2014, but they increase significantly in future years, with a potentially minimal net overall effect depending on the repayment rate of participants in the payment plans.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The bill applies only to registrations for a passenger (Class A) vehicle, motorcycle (Class D), specified trucks (Class E), and multipurpose (Class M) vehicles.

**Current Law/Background:** The Maryland Vehicle Law does not currently authorize payment plans for registration fees. The current biennial registration fees for the vehicle classes specified in the bill are as follows:

- Class A passenger vehicle of up to 3,700 pounds – \$101;
- Class A passenger vehicle over 3,700 pounds – \$153;
- Class D motorcycle – \$70;
- Class E truck of three-quarter tons rated capacity or up to 7,000 pounds – \$127.50;
- Class M multipurpose vehicle of up to 3,700 pounds – \$101; and
- Class M multipurpose vehicle over 3,700 pounds – \$153.

Vehicle registration fees vary widely among states. The equivalent biennial registration fees for selected common vehicle classes in several surrounding states are as follows:

- Delaware – \$80 for a “car”;
- District of Columbia – \$144 for a passenger vehicle up to 3,499 pounds; \$230 for a passenger vehicle between 3,500 and 4,999 pounds; and \$310 for a passenger vehicle of 5,000 pounds or more;
- Pennsylvania – \$72 for passenger vehicles; and
- Virginia – \$81.50 for a vehicle up to 4,000 pounds; and \$91.50 for a vehicle over 4,000 pounds.

**State Fiscal Effect:** A reliable estimate of the decrease in TTF revenues and the increase in TTF expenditures in fiscal 2013, and the net effect of the bill through fiscal 2017, cannot be made at this time due to significant uncertainty regarding the participation rate in the payment plans authorized by the bill and the delinquency rates of participants. However, *for illustrative purposes only*, **Exhibit 1** demonstrates the range in potential TTF losses in fiscal 2013 and 2014, and the net effect through fiscal 2017, based on current MVA vehicle registration projections and current fees for different vehicle classes. This analysis assumes that surcharges collected with vehicle registration fees are not affected by the bill and are due with the initial payment.

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**Exhibit 1**  
**Potential TTF Revenue Decrease**  
**(\$ in Millions)**

	<b><u>First Year</u></b> <b><u>FY 2013</u></b>	<b><u>Entire Period Affected</u></b> <b><u>FY 2013-2017</u></b>
5% Participation and 5% Delinquency Rates	-\$4.3	-\$0.8
25% Participation and 5% Delinquency Rates	-21.6	-4.1
50% Participation and 10% Delinquency Rates	-43.2	-16.3
75% Participation and 10% Delinquency Rates	-64.8	-24.5
75% Participation and 20% Delinquency Rates	-64.8	-48.9

Source: Maryland Department of Transportation, Department of Legislative Services

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The estimated decreases in TTF revenues shown in Exhibit 1 do not account for any vehicle registration restoration fees collected after the revocation of registrations associated with delinquent payment plans, or any change in the amount of penalties collected for driving an unregistered vehicle. In addition, although not a realistic possibility, if it were assumed that *no* vehicle owners defaulted on a payment plan agreed to with MVA under the bill, then the net effect on TTF revenues under the bill would reflect only foregone interest earnings on invested TTF funds and the time value of money, generally.

TTF expenditures increase significantly to implement the bill. Regardless of the participation rate, MVA advises that, to institute a payment plan option, it will need to engage its outside information technology vendors for contractual reprogramming of four data systems at a total cost of \$909,000 in fiscal 2013. Significant additional internal reprogramming of other data systems is also necessary, but it can likely be handled with existing resources.

TTF expenditures increase further for personnel, supply, and postage costs, depending on the participation rate with the payment plans. For example, if the participation rate were 90%, MVA advises that it would hire four additional personnel at a cost of over \$100,000 in fiscal 2013, which reflects the bill's October 1, 2012 effective date, to account for payment plans, handle the additional transactions required, and for additional mailings. Further, postage costs would increase by an estimated \$614,922 to communicate with payment plan participants. While a 90% participation rate may be unlikely, the estimated increase of over \$700,000 in TTF expenditures represents a high-end estimate in the range of variable personnel and communication costs to implement the bill. To the extent that the participation rate is lower, the impact on TTF expenditures is moderated.

The total increase in TTF expenditures, including both fixed reprogramming costs and variable personnel and communication costs is likely to exceed \$1 million in fiscal 2013, assuming even a minimal participation rate. Future year expenditure increases are mitigated significantly as no external reprogramming work is anticipated beyond fiscal 2013, and the increase in expenditures is minimal in fiscal 2017, the year the bill terminates.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2012  
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Analysis by: Evan M. Isaacson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510